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19 March 1964

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CENTRAL INTELLIGENCE BULLETIN



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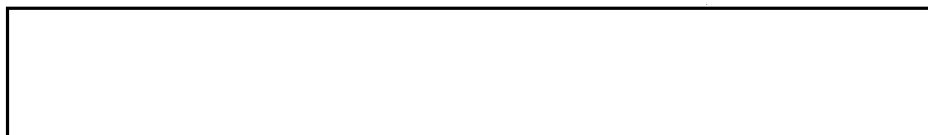
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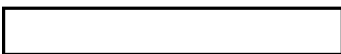


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Brazil: The Brazilian Government is expected to move quickly to expropriate all private oil refineries in accordance with a decree signed by President Goulart last week.

The decree, which authorizes the federal oil monopoly (PETROBRAS) to take over the stocks of these refineries, will become effective on 15 April. The industry was caught off guard by the regime's move, and has so far been left without a satisfactory explanation for such speedy action. Goulart informed an industry representative that his political advisers had convinced him that immediate nationalization was necessary.

The refineries in Rio de Janeiro have been occupied by federal troops, and the one in Sao Paulo by local police. These are precautionary moves undertaken at the request of the owners, who are anxious to prevent sabotage.

It has been rumored in the press that Goulart's next move will be to expropriate private petroleum distribution companies in which there are heavy US and European investments. According to these stories, Goulart will act on 19 April, the anniversary of Vargas' birth. The US Embassy doubts that Goulart will go so far in provoking the US and other governments at this time, but says that the possibility cannot be ruled out.

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USSR: (Soviet officials in Geneva continue to hint that some limited agreement with the US on partial disarmament measures might be reached this summer.)

[REDACTED]

the Soviets feel that there are three areas of possible agreement at Geneva. They have mentioned the question of a mutual destruction of obsolete bombers, the US proposals for a limitation on the production of fissionable materials, and the Soviet proposal to reduce military expenditures.]

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(In his 28 February talk with Ambassador Kohler, Soviet Foreign Minister Gromyko focused on the "obsolete bomber" issue. He took the line that if general agreement in principle could be reached on the need to destroy all bombers, then implementation could begin with destruction of one or two specific types.)

(The USSR seems to have ruled out the likelihood of agreement on significant disarmament questions in the foreseeable future. Soviet leaders, however, apparently desire to maintain some forward movement on disarmament as they prepare to deal with the Chinese problem.)

[REDACTED]

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British Guiana: [The effort by the pro-Jagan sugar workers' union (GAWU) to wean workers away from the rival anti-Jagan union (MPCA) is apparently making headway, and, if not checked, may result in another general strike]

[By freely resorting to intimidation tactics, GAWU has succeeded in reducing MPCA's membership considerably. MPCA's share of the total work force on the sugar estates recently dropped from 60 to 50 percent, according to a report received by the US consul general in Georgetown]

[All workers withdrawing from MPCA may not have joined GAWU. Jagan, showing more open government backing of the strike, has publicly called for a secret poll of the sugar workers. He is also willing to accept observers from international trade union bodies]

[The anti-Jagan Trade Union Congress (TUC) told the sugar producers on 14 March that if they agreed to such a poll, the TUC would call a general strike with the sugar loading terminals as the first target. The MPCA plans, if the battle for the field workers is lost, to retaliate by calling a strike in the sugar factories whose employees are "solidly MPCA"]

[MPCA represents the largest single constituent in the TUC, control of which has long been a Jagan objective. The general strike last summer was sparked by the TUC's opposition to a labor bill stacked in GAWU's favor and aimed at ultimately giving the government a whip hand over the TUC]

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South Africa - UN: Prime Minister Verwoerd may be preparing to withdraw South Africa from the UN soon.

During the past week, the government apparently has inspired a number of newspaper articles predicting South Africa's early withdrawal. The government-controlled radio devoted an entire program on 15 March to the theme that the country would have to consider the benefits of continued UN membership--"if there are any."

South Africa has already pulled out of the Food and Agriculture Organization and the International Labor Organization, and it is under pressure to leave the World Health Organization.

The trial balloons of the past week may be designed in part to impress the US and the UK that, if these countries want South Africa to remain a member, they must prove the UN's usefulness as an instrument of moderation between the Republic and its critics. Denigration of the UN is also good internal politics, since few white South Africans hold it in high esteem.

It seems probable that Verwoerd and his associates do not view South Africa's growing international isolation with particular alarm. As the country's participation in international forums is reduced, the opportunities for its critics to bring effective political pressure to bear are also reduced.

Verwoerd probably believes that alternative avenues of pressure--subversion and economic sanctions--are also unlikely to be effective. The former must contend with the country's powerful security apparatus, and the latter will be rendered difficult by the self-interest of other countries.

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Kuwait-Egypt: Kuwait's recently announced \$98-million loan to Egypt will remove some of the pressure on Cairo to accept the International Monetary Fund's (IMF) long-standing recommendations for fiscal reform.

Egypt has faced increasingly severe financial problems. For the past year foreign exchange holdings have been dangerously low, at times falling below \$10 million.

For over a year Cairo has been negotiating with the IMF in the hope of obtaining substantial Western aid. An IMF delegation arrived in Cairo yesterday to resume talks.

The Egyptians have given in to the Fund on such points as adjusting prices and raising taxes. They have nevertheless resisted IMF requirements for a partial currency devaluation and a sharp reduction of Egypt's chronic budget deficit, fearing that these measures would threaten living standards and cause domestic political difficulties.

Kuwait has already intimated that it might agree to additional Egyptian requests for loans.

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NOTES

USSR - East Germany: There is increasing evidence that the crewmen of the US RB-66 recently shot down in East Germany will be formally charged with espionage and put on trial before an East German (GDR) court. A Soviet military liaison official on 18 March called the affair a "serious" one and stated that it was possible that the fliers "could come before a court accused of spying." An East Berlin attorney, who has defended US citizens before East German courts in the past, informed US representatives that GDR officials have asked him to act as defense attorney for one of the crewmen.

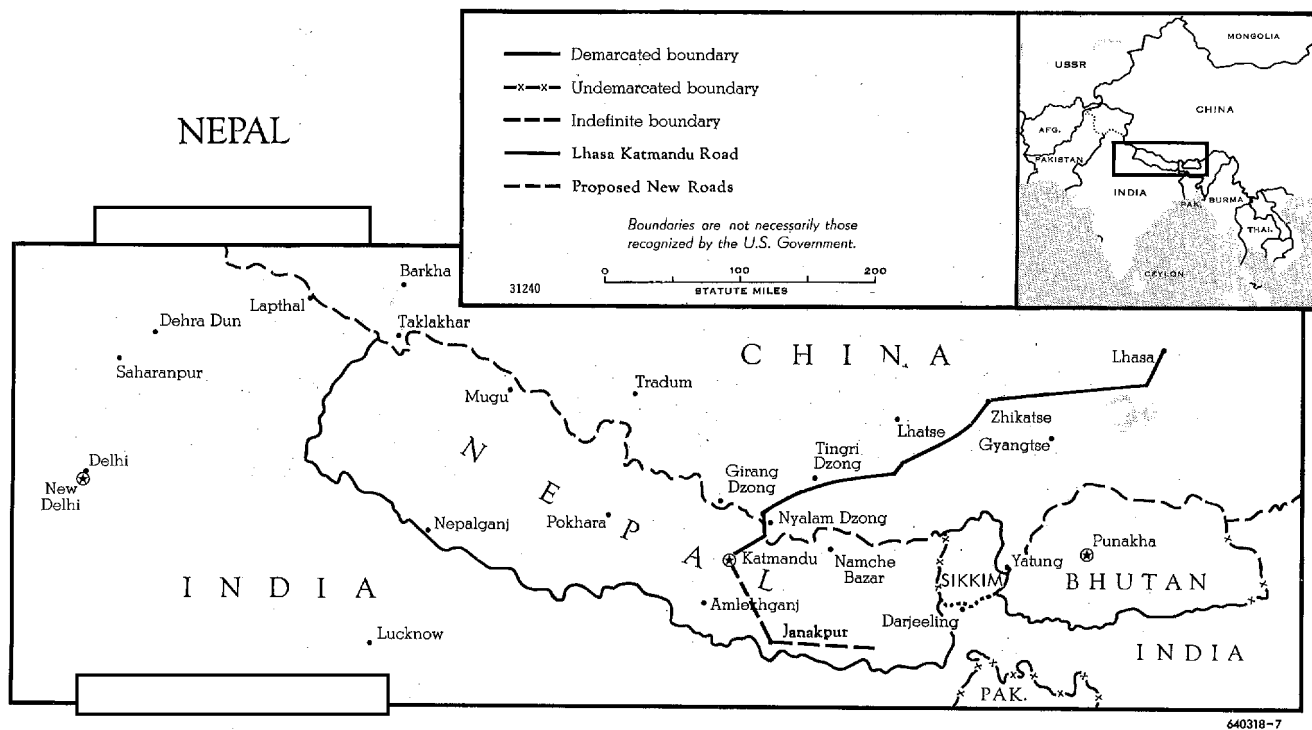
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Communist China - Nepal: The Chinese Communists have expressed willingness to construct two new roads in Nepal, [REDACTED]

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[REDACTED] The first of these would constitute an important segment of the long-sought East-West road in southern Nepal. The other, strategically more important, would connect the road the Chinese are now constructing from Lhasa to Katmandu with Janakpur, a Nepali town near the Indian border. [REDACTED]

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board approved the following national intelligence estimate on 18 March 1964:

NIE 24-64: "The Outlook for Italy"

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THE PRESIDENT

Executive Offices of the White House

Special Counsel to the President

The Special Assistant for National Security Affairs

The Scientific Adviser to the President

The Director of the Budget

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

The Secretary of the Treasury

The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Assistant Secretary of Defense

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

Commander in Chief, Atlantic

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

National Aeronautics and Space Administration

The Administrator

The Atomic Energy Commission

The Chairman

The National Security Agency

The Director

The United States Information Agency

The Director

The National Indications Center

The Director

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